



Montgomery County, Maryland

MODERATELY PRICED DWELLING UNIT (MPDU) PROGRAM



Requesting a Shared Profit Calculation

For Current Owners of MPDUs after the Control Period Has Expired

After the control period has expired on your MPDU, you may sell it on the open market at a fair market price. As part of your initial agreement with the County, you are required to share one-half of the “excess profit” with the County. This money is used to finance and produce new affordable housing in Montgomery County for other low- and moderate-income families.

In order to calculate the county’s share of the profit that will be due upon the sale of your MPDU, please review the following information that will answer questions you may have. After that, please use the cover sheet that has been provided, attach the required information, and send (or fax the information to):

MPDU Program
Department of Housing and Community Affairs
100 Maryland Avenue, Fourth Floor
Rockville, MD 20850
Fax: 240-777-3709
Attn: Janet Lewis

The complete packet of information must be received in the MPDU office at least 21 days before the date of settlement. Failure to submit the information in a timely manner may result in the postponement of the settlement. Thank you for assistance in this process.

Shared Profit Calculation

For MPDUs that were initially offered by the builder through the MPDU program after March 20, 1989, the owner may sell the unit on the open market for a fair market price once the applicable control period has expired. However, the owner must pay one-half of the excess profit into Montgomery County's Housing Initiative Fund (HIF) in order to provide affordable housing units in the future. The County also has the right-of-first-refusal to match the proposed fair market sales price.

The method used to calculate the shared profit owed to the County is set by the Executive Regulations governing the MPDU Program. The following example shows how the County's portion of the excess profit is calculated. The example assumes an initial purchase price of \$80,000 in 1995, and a current market sales price of \$250,000:

Initial Acquisition Price in 1995:	\$ 80,000
Increase in CPI (25% increase)*:	\$ 20,000
Documented Capital Improvements:	\$ 5,000
Real Estate Commission (up to 6% of market sales price)**:	\$ 15,000
½ of Transfer Tax & Recording Fee (1.1% of sales price):	\$ 2,750
Adjusted Base:	\$122,750
Fair Market Sales Price (as shown on sales contract):	\$250,000
Less: Adjusted Base (from above):	\$122,750
Excess Profit (the Difference between Adjusted Base and the Fair Market Sales Price):	\$127,250
Share of Excess Profit to Owner (50%):	\$ 63,625
Share of Excess Profit to County (50%):	\$ 63,625
Total Proceeds to Owner (to be used to pay off existing mortgage, home equity loan, other debt, etc.):	\$186,375
Total Shared Profit to County (to be used to produce new affordable housing):	\$ 63,625

* CPI – the Consumer Price Index, a measure of inflation; this number will vary depending on the length of time you own the MPDU. The number shown above is only an example.

** - credit for a Real Estate commission may only be given if the buyer and seller use a licensed real estate agent.

In order to calculate the shared profit that will be due to the County upon sale of the MPDU, the owner must provide the County with a signed copy of the sales contract as soon as possible after it is signed. In order to receive credit for eligible improvements, the owner must also submit a list of improvements, showing the cost of each item, as well as documentation of the cost (such as receipts or cancelled checks). If the owner does not have receipts, the County will send an inspector out to verify the improvements. Finally, the owner must provide the name, contact information, phone and fax number for the settlement attorney.

Please note that Montgomery County has the right-of-first-refusal on all MPDUs that are being sold for the first time after the control period has expired. The County will notify you in

writing if it wishes to exercise its right to purchase your MPDU after we have received all the information related to the sale (described above).

Creditable Home Improvements

The following information sheet is a guide which lists the improvements that are allowed and for which credit is given when the house is resold prior to the expiration of the control period, or when it is sold for the first time after the applicable control period has expired. When requesting an approved resale price or shared profit calculation, an MPDU owner should refer to this guide.

SECTION A

IMPROVEMENTS ALLOWED

MPDU owners are advised to check with the Moderately Priced Housing (MPH) office if they have a question on the eligibility of an improvement prior to its installation. MPDU owners are further required to save all receipts for improvements and to mail copies of the receipts to the MPDU office when requesting a resale price or shared profit calculation.

The CPI inflation adjustment will be applied to all upgrade appliances that were not included in the MPDU base price; however, depreciation will be deducted on a straight line 10-year basis. The following improvements are normally considered to be of a permanent nature and may be added to the resale price determination when they were not included in the original purchase price:

1. Completion of unfinished areas into living areas, room additions, carports and garages
2. Insulation
3. Dishwashers and disposals (built-in) (depreciated)
4. Bathroom vanities
5. Perimeter fencing of yards
6. Bathtub enclosures (permanently attached)
7. Timer thermostat for heating/air conditioning systems
8. Storm windows and/or doors
9. Permanently installed humidifiers (depreciated)
10. Fireplaces
11. Storage closets
12. Additional kitchen cabinets (if made part of regular kitchen)
13. Exhaust, attic & ceiling fans
14. Patios, porches and decks
15. Storage shed
16. Washer and/or dryer (depreciated)
17. Larger water heaters (difference in value)
18. Upgrades: (Originally purchased through builder)
 - a. Carpet and padding (difference in value and depreciated)
 - b. Kitchen floor tile (difference in value and depreciated)
 - c. Kitchen cabinets

- d. Self-cleaning range (difference in value and depreciated)
- e. Refrigerator (difference in value and depreciated)

- 19. Microwave (permanently attached and depreciated)
- 20. Electronic security system
- 21. Landscaping – including additional shrubs or trees, retaining walls (with receipts up to a maximum of \$500)
- 22. Shades, Venetian blinds, curtains, draperies, valances, and other window coverings or decorations (with receipts up to a maximum of \$500)
- 23. Removal of refrigerators/freezers, dishwashers or ranges and installing replacements
- 24. Telephone jacks and wiring
- 25. Cable TV installation
- 26. Replacement of carpeting; installation of tile in areas that were previously carpeted, or installation of hardwood flooring
- 27. Replacement of heating, ventilating and air conditioning equipment

SECTION B

IMPROVEMENTS NOT ELIGIBLE FOR CREDIT

The following items are normally considered to be non-permanent or cosmetic improvements, and will not add to the resale price of the unit. Credit is also not given for work or materials that are considered part of routine maintenance of your home. Credit will not be given for the improvements listed below:

- 1. Humidifiers (portable)
- 2. Additional light fixtures
- 3. Door bell chimes, knockers, peepholes, house numbers
- 4. Shelving (permanently attached or removable)
- 5. Wallpaper
- 6. Paneling on previously finished walls or ceilings
- 7. Substitution of towel racks and other bathroom accessories
- 8. Replacement of window panes
- 9. Interior or exterior painting
- 10. Siding maintenance
- 11. Roof maintenance
- 12. Conversion of existing area to another use (i.e., conversion of a bedroom to a recreational room) except as indicated in Section A – Improvements Allowed
- 13. Television antennas
- 14. Window air conditioners
- 15. Portable heaters

APPROVED POLICY GOVERNING THE IMPROVEMENTS FOR OWNERS RESELLING
THEIR MPDUS – June 5, 2003

- Department of Housing and
Community Affairs

Please Note: We do not give credit for financing points that are rolled into the sales price.

Date _____

**Request for a Shared Profit Calculation
COVER SHEET**

Instructions: Please complete this form, attach the requested information, and mail or fax it to:

MPDU Program
Department of Housing and Community Affairs
100 Maryland Avenue, Fourth Floor
Rockville, MD 20850
Fax: 240-777-3709
Attn: Janet Lewis

Name of Owner:

MPDU Address:

Daytime Phone Number(s):

Settlement Date:

	Real Estate Agent:	Settlement Agent:
Name:	_____	_____
Address:	_____	_____
	_____	_____
Phone Number:	_____	_____
Fax Number:	_____	_____

Please attach the following information and check off appropriate box:

- ☐ Copy of the Sales Contract (the first page showing the market sales price and the executed signature page is acceptable)
- ☐ List of Allowed Improvements made to the property, with the cost of each item shown
- ☐ Documentation of Costs (receipts, cancelled checks, ratified contracts, signed invoices, etc.)
- ☐ I do not have receipts for all or some of my creditable improvements. I request that an inspector from the County contact me to schedule a weekday inspection (NOTE: inspections may only be scheduled for Monday through Friday between 7:00 a.m. and 3:30 p.m.)

By signing below, I certify that all the attached information is complete and accurate to the best of my knowledge. I consent to allow a county inspector to verify any improvements claimed to establish a fair value.

Signature: _____

Date: _____